PENSIONS
INVESTMENTS
LIFE INSURANCE

Irish Life

KEYPERSON – LOAN COVER
How is the arrangement taxed?

The tax treatment of the plan benefits will depend on the purpose for which the plan is taken out, whether to cover a "Capital" or "Revenue" type loss. Where the cover is required for two different purposes i.e. loan cover and loss of profits cover, we would recommend two separate plans should be taken out.

Reason for Cover	Benefits	Premium
Loan Cover	No – Not Taxable	Not Tax deductible
Loss of Profits / Replacement Costs	Yes – Taxable	Tax deductible if 4 conditions are met

Taxation of Plan Benefits – Loan Cover (Capital item)

Corporation Tax

- **No.** If the purpose of the plan is to protect a company loan then the proceeds are likely to be treated as a capital receipt for the company and thus **NOT** subject to Corporation Tax.

Capital Gains Tax (CGT)

- **No.** The proceeds of a company owned plan, paid out on death or disablement, are **EXEMPT** from Capital Gains Tax. **So no tax liability arises for the company.**

Taxation of Premium

Tax Deductible

- No. The premiums are **NOT** admissible deductions for Corporation Tax.